

The CEA providers' comments demonstrated the many benefits that they bring to rural communities in their states and showed that their method of cost recovery, access charges, should not be changed at this time. Among the vital benefits made possible through the CEA networks is the provision of equal access to rural communities in a cost-effective manner. As demonstrated, equal access may otherwise not have occurred due to various challenges in the communities served by the CEA networks and the local exchange carriers serving those communities. However, by providing a single physical point of interconnection, traffic aggregation and network functionality, the CEA networks created the efficiencies necessary for a thriving equal access environment in rural communities.

The CEA networks also have evolved to provide other services and functionalities in rural areas in an efficient, cost-effective manner. The CEA networks are state-of-the-art, bi-directional fiber rings. The redundancy in the networks makes them durable and reliable. And, as shown in the comments, the CEA networks bring a multitude of advanced services to their states.

The advanced CEA networks support economic development that helps to expand and sustain rural communities. The CEA providers maintain statewide backbone networks that support state, county and city government; public safety, state dispatch and 911; K-12 education; higher education; health care; secure data transfers for banks; agriculture; and business, including high technology companies.

The importance of the CEA networks to the rural communities that they serve is highlighted in the comments of a number of parties in this proceeding. It is our understanding that a delegation of congressional members from Minnesota and the delegation from South Dakota filed ex parte letters in this docket asking the Commission to “take steps to ensure the continuance of centralized equal access” and concluding that CEA is “an efficient way to bring customer choice and advanced telecommunications services to independent rural exchanges.”¹ The South Dakota Public Utilities Commission (SDPUC) discusses how the CEA network in South Dakota helps the incumbent telephone companies respond to the challenges of serving sparsely populated, rural areas and that through the CEA network, the benefits of long distance equal access have been brought to rural customers.² The Rural Iowa Independent Telephone

¹ See, Letters dated June 20, 2005 from the Minnesota Delegation and July 18, 2005 from the South Dakota Delegation, to The Honorable Kevin J. Martin, attached hereto.

² Initial Comments of the South Dakota Utilities Commission (SDPUC Comments) at 7.

Association (Rural Iowa ITA) and the Iowa Telecommunications Association (ITA) state that using a CEA carrier allows Iowa's rural LECs to provide their customers with better service and access to more IXC's.³ This sentiment is echoed by South Slope Cooperative Telephone Company (South Slope), a rural LEC in Iowa, which states that "[p]rior to the formation of INS, no interexchange carrier had indicated an interest in providing competitive long distance service to those rural customers who were served by Iowa's rural ILECs."⁴ Further, South Slope states that its rural customer/owners "have benefited greatly from the FCC's policies allowing [the CEA providers'] state-of-the-art rural fiber networks to grow and prosper."⁵

The comments also demonstrate that sufficient cost-recovery mechanisms must be maintained to preserve the CEA networks. As indicated by the SDPUC, rural network infrastructure, including the CEA network infrastructure, requires considerable funding not only to operate and maintain the network but also "to continually improve the underlying infrastructure for the benefit and use of other telecommunications providers" and consumers.⁶ Today, the CEA providers recover all costs of their regulated access operations through interstate and intrastate access charges assessed to interexchange carriers using these services. Under established Commission precedent, the cost of regulated access functions should be recovered from all carriers, such as IXC's, that use these services to connect to the rural LECs, as the cost-causer. Equal access, after all, is

³ Comments of the Rural Iowa Independent Telephone Association (Rural Iowa ITA Comments) at 16; Comments of the Iowa Telecommunications Association (ITA Comments) at 7.

⁴ Comments of South Slope Cooperative Telephone Company, Inc. (South Slope Comments) at 2.

⁵ Id.

⁶ SDPUC Comments at 2-3.

provided to IXC's for their benefit to efficiently reach rural customers and to compete to be the rural customer's presubscribed carrier. Accordingly, as the cost-causer, the cost associated with the regulated transport and switching services of the CEA network should be recovered from IXC's and any other entity that uses these services to connect to the rural LECs.

The intercarrier compensation plans under consideration in this docket, however, would jeopardize the ability of the CEA providers to recover their costs. Most of the intercarrier compensation plans under consideration in this proceeding either reduce or eliminate access charges. Although some of the plans replace some portion of lost revenue with universal service funds and/or increases in local rates or subscriber line charges (SLCs), the CEA providers do not have access to federal or state universal service funds. Further, the CEA providers do not have local retail customers and, therefore, they cannot recover their costs through local service charges or SLCs.

Similarly, bill and keep simply does not work in the context of CEA networks because the CEA providers have no end-user customers to whom the cost of access can be transferred. Moreover, bill and keep has been found to be appropriate where the exchange of traffic between carriers is roughly equal. CEA providers, however, do not exchange traffic with other carriers.

Finally, the Intercarrier Compensation Forum (ICF) proposal simply shifts the cost of the CEA network to the rural LECs. As demonstrated by the CEA providers, this would result in price increases to local customers and could jeopardize the ability of rural LECs to provide services at rates comparable to the rates charged in urban areas, as required by Section 254 of the Act. Increased cost also could result in a reduction in

equal access choice if the CEA network is not maintained and IXC's do not interconnect with the rural LECs. The NECA calculation of the impact of the various proposals on LECs supports this concern.⁷ In fact, it is likely that the impact on rural carriers in CEA network states would be even greater than that shown in the NECA comments because its analysis, apparently, did not include attributing the cost of the CEA networks to the rural LECs.

Thus, it is clear that plans that reduce or eliminate access charges should not be applied to the CEA providers. Accordingly, the CEA providers urge the Commission to maintain the current access charge mechanisms for CEA providers.

II. THE ICF EDGE PLAN FOR CEA NETWORKS SHOULD BE REJECTED

The comments do not support the ICF edge plan as it applies to CEA networks and local exchange carriers that operate in connection with those networks. Under the ICF plan, rural LECs within the CEA network would be responsible for transport to and from the CEA tandem whereas, currently, IXC's using CEA networks pay this transport cost. Further, the ICF contains no proposal for payment to the CEA provider for the CEA function, including switching. Accordingly, this aspect of the ICF plan would shift cost to rural LECs and it would not allow CEA providers to recover the cost of switching.

The comments present a number of reasons why this plan must be rejected. First, it would add an additional layer of expense to rural LECs, which would increase local service rates. This would jeopardize the ability of rural LECs to provide services at rates comparable to the rates charged in urban areas.

⁷ Comments of the National Exchange Carrier Association (NECA Comments) at 9.

Second, it could result in a reduction in equal access choice if the CEA network is not maintained and IXCs do not interconnect with the rural LECs. The IXCs have a history of not wanting to serve high-cost rural areas.

Third, this proposal is contrary to current law, as rural LECs have no obligation to transport traffic beyond their service areas. The CEA providers are carriers separate and apart from the rural LECs in their states.⁸ Moreover, the CEA carriers have separate networks and provide separate and distinct services from the services provided by rural LECs and IXCs. There simply is no legal justification to treat the CEA network as an extension of the rural LECs' networks, as proposed by the ICF.

Fourth, even if it were appropriate to treat the CEA network like an extension of the rural LECs' networks, for which there is no legal basis, the comments of the Rural Alliance show that the ICF plan is discriminatory in that it would give preferential treatment to RBOC tandem services. According to the Rural Alliance, under the ICF, when a Covered Rural Telecommunications Carrier (CRTTC) connects indirectly with an IXC through an equal access tandem, like the CEA providers' tandems, the CRTTC is responsible for all transport on its side of the CEA tandem.⁹ However, when a CRTTC connects indirectly with an IXC through a tandem that is not an equal access tandem, like an RBOC tandem, "the IXC's financial obligations include transporting terminating traffic to the CRTTC's edge and transporting originating traffic from a point within the CRTTC's serving area to the transit provider."¹⁰ Further, "[t]he ICF plan also proposes

⁸ Rural Iowa ITA Comments at 19; ITA Comments at 7.

⁹ Comments of The Rural Alliance (Rural Alliance Comments) at 61.

¹⁰ Id.

that CEA operators will not be allowed to charge IXCs for transiting...”.¹¹ RBOC’s, on the other hand, will be able to charge for transiting. As stated by the Rural Alliance, “[t]he IXC’s retail traffic utilizes the CEA tandem, yet the IXC contributes minimally to the cost of transporting and switching such traffic. In contrast, when a CRTC does not use a CEA tandem, the CRTC receives terminating transport. The CRTC’s choice to utilize CEA technology should have no bearing whatsoever on the financial responsibility for transport.”¹²

Fifth, as argued by the SDPUC and the Rural Alliance, the ICF edge plan would act to penalize carriers for using CEA networks. As expressed by the SDPUC, the CEA providers and the rural LECs who many years ago took the initiative to develop a creative and cost effective method to bring the benefits of equal access to rural consumers should not be penalized through this proceeding for their effort.¹³

III. CEA PROVIDERS ARE UNIQUE

In its comments, the CEA providers demonstrated that the access charge regime has worked well to bring the benefits of equal access and other benefits to South Dakota, Iowa and Minnesota. The CEA providers also argued that they are unique and provided information that the total amount of traffic carried by the three networks is less than 1% of the total access minutes nationwide and only approximately 5% of the total access minutes of all rural LECs. Therefore, the CEA providers urged the Commission to maintain the current cost recovery mechanisms at this time for CEA providers and stated that maintaining the current access charge mechanisms for CEA providers should not

¹¹ Id.

¹² Id.

¹³ SDPUC Comments at 7.

significantly impact any other carrier even if the Commission ultimately revises intercarrier compensation for other carriers.

In the comments, some parties discuss various entities such as tandem providers and fiber network operators and, in some cases, draw parallels between the CEA providers and these entities. While there are some similarities in some of the functions performed by these other entities and the functions performed by CEA providers, there are important differences, which make the status of the CEA providers unique. Among these differences, the CEA providers all have received section 214 approval from the FCC and certification from their respective state commissions to provide equal access service. Further, the CEA providers provide such service under federal and state tariffs. On the other hand, it appears that tandem providers, such as Great Lakes Comnet, for example, do not have section 214 approval from the FCC or certification from the state to provide equal access, they do not provide equal access and they do not file a federal and state tariff for such service. Rather, it is the CEA providers' understanding that Great Lakes Comnet simply provides facilities pursuant to contract for the use by carriers in connection with the carriers' services.

In its comments, the Ohio Public Utilities Commission discusses another type of arrangement where several small telephone companies established a shared tandem that resides at the location of one of the participating telephone companies. This too, is a very different arrangement than that of the CEA providers. Again, it appears that equal access is not provided through the tandem and there is no separate CEA carrier. Rather, it appears that the tandem simply is part of the LECs' networks.

The CEA networks also are different from RBOC tandems in many important ways. Like the tandem in Ohio discussed above, RBOC tandems are not equal access carriers separate and apart from the LEC. Further, although the CEA networks perform a function like transit in connection with the provision of access, the CEA providers' services are different and in many ways superior to RBOC transit services. First, CEA networks aggregate rural access lines in a single location and, as a result, create demand for equal access where none existed. Second, the CEA networks store information at an individual number level, including interstate and intrastate primary carrier and local service provider. Third, the CEA providers provide call record detail for calls completed through the CEA network to all carriers involved with a call and they provide reporting on percent interstate usage and traffic levels. Fourth, the CEA networks support traffic engineering for rural LECs, IXCs and any other carrier using the network. Fifth, through a CEA network a carrier can reach all of the rural LECs' end offices with one connection, whereas with RBOC transit, a carrier must be interconnected at each RBOC tandem. Finally, the redundancy of the CEA networks provides durable and reliable network security. Therefore, a direct comparison between RBOC transit and CEA networks is not appropriate and differences in their treatment with respect to rate regulation are warranted.

Thus, even though there are other entities and facilities arrangements that may have some similarities to CEA networks, the three CEA providers are unique in terms of their regulatory status and the services that they provide. Accordingly, maintaining the current access charge mechanisms for CEA providers should not "open the floodgates" for other exceptions. In addition, because of the relative small amount of traffic handled

by the CEA providers, an access charge exception for them should not significantly impact any other carrier.

IV. CONCLUSION

As demonstrated herein and in the CEA providers' comments, the CEA networks serve a valuable and unique function for rural Iowa, Minnesota and South Dakota and the carriers that operate in these states. Moreover, the CEA providers are dependent on access charges for cost recovery. Accordingly, the CEA providers urge the Commission to continue to apply the current access charge rules to CEA providers and entities that use their regulated access services.

Respectfully submitted,

**IOWA NETWORK SERVICES, INC.
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SOUTH DAKOTA NETWORK, LLC**

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Dated: July 20, 2005

Congress of the United States
Washington, DC 20510

July 18, 2005

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: CC Docket No: 01-92

Dear Chairman Martin:

We write to ask that the FCC consider and take steps to ensure the continuance of centralized equal access (CEA) as it examines intercarrier compensation.

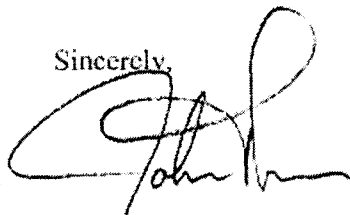
Only three CEA providers exist in the United States—in South Dakota, Iowa, and Minnesota. These three states have two characteristics in common. First, they each have large land areas that are sparsely populated. Second, they each have a large number of small independent telephone companies. The combination of sparseness and many small independent telephone companies has caused CEA to be an efficient way to bring customer choice and advanced telecommunications services to independent rural exchanges.

We urge the FCC to include in any proposal for intercarrier compensation reform a specific consideration of such reform on CEA networks and how it will affect the costs of providing services to rural consumers.

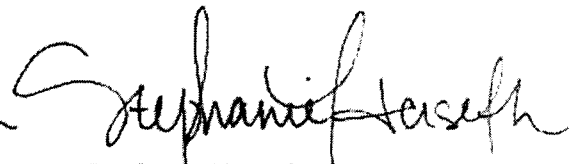
Sincerely,



Tim Johnson
United States Senate



John Thune
United States Senate



Stephanie Herseth
Member of Congress

cc: Commissioner Abernathy
Commissioner Adelstein
Commissioner Copps

Congress of the United States
Washington, DC 20515

June 20, 2005

The Honorable Kevin J. Martin
Chairman
Federal Communications Commission
445 12th Street SW
Washington, DC 20554

RE: Intercarrier Compensation CC Docket No 01-92


Dear Chairman Martin:

We write to ask that the FCC consider and take steps to ensure the continuance of centralized equal access (CEA) as it examines intercarrier compensation.

As you know, only 3 CEA providers exist in the United States; in Minnesota, Iowa, and South Dakota. These three states have two characteristics in common. First, they each have large land areas that are sparsely populated. Second, they each have a large number of small independent telephone companies. The combination of sparseness and many small independent telephone companies has caused CEA to be an efficient way to bring customer choice and advanced telecommunications services to independent rural exchanges.

We urge the FCC to include in any proposal for intercarrier compensation reform a specific consideration of such reform on CEA network and how it will affect the cost of providing services to the independent telephone companies.

Sincerely,


Senator Norm Coleman


Representative Gil Gutknecht


Representative Collin Peterson


Representative James Oberstar


Representative John Kline


Representative Mark Kennedy


Representative Betty McCollum


Representative Martin Olav Sabo

CERTIFICATE OF SERVICE

I, Althea Pierce, do hereby certify that I have on this 20th day of July, 2005, had copies of the Reply Comments of the Centralized Equal Access Providers, delivered to the following, via First Class U.S. mail or electronic mail, as indicated.

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